



**SUMMIT COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
SUMMIT COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED JUNE 30, 2004, 2003 AND 2002**



**Auditor of State
Betty Montgomery**

**SUMMIT COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
SUMMIT COUNTY**

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**Auditor of State
Betty Montgomery**

Summit County Community Based Correctional Facility
Summit County
209 S. Main St.
Akron, Ohio 44308

To the Judicial Corrections Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Facility to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format prescribed by the Ohio Department of Rehabilitation and Corrections Bureau of Community Sanctions.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 16, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Summit County Community Based Correctional Facility
Summit County
209 S. Main St.
Akron, Ohio 44308

To the Judicial Corrections Board:

We have audited the accompanying financial statements of Summit County Community Based Correctional Facility, Summit County, Ohio, (the Facility) as of and for the years ended June 30, 2004, 2003 and 2002. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in paragraph 8, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Facility has prepared these financial statements using accounting practices the Ohio Department of Rehabilitation and Corrections Bureau of Community Sanctions prescribes. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Facility to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2004. The revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Facility does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP disclosure and the new GAAP presentation requirements. Since this Facility uses accounting practices the Bureau of Community Sanction prescribes rather than GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under this accounting basis. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in paragraph number 9.

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In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Facility's combined funds as of June 30, 2004, or their changes in financial position for the year then ended.

The financial statement for 2002 presents only the receipts, disbursements and cash balances related to State appropriations the Ohio Department of Rehabilitation and Corrections paid to the Facility. This statement is not intended to present the cash receipts, disbursements and balances of all Facility funds for the year ended June 30, 2002.

The Facility collects and disburses cash directly from and for offenders. However, until January 1, 2003, the Facility pooled this activity with Oriana House, Inc. The Facility's financial statement do not include the Facility's Offender Funds receipts, disbursements and cash balances for the period of July 1, 2002 through December 31, 2002.

As further described in Note 1C to the financial statements, at June 30, 2004, 2003 and 2002 management has asserted that \$106,448, \$657,990 and \$554,545, respectively, of the Facility's grand total Fund Cash Balance was maintained in the cash pool of its managing nonprofit agency. At July 1, 2001, \$519,019 of the cash fund balance was also held by the managing nonprofit agency. We were unable to satisfy ourselves that these monies were in existence because of the pooling of the Facility's cash with that of the managing nonprofit agency.

In our opinion, except for the omission of Offender Funds' receipts, disbursements and cash balances for the six months ended December 31, 2002, and except for the effects of such adjustments, if any, as we might have deemed necessary had we been able to examine evidence regarding fund cash balances held by the managing nonprofit agency, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of the Summit County Community Based Correctional Facility as of June 30, 2004 and State Appropriations cash balances as of June 30, 2003 and 2002, and the related cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Facility has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2005 on our consideration of the Facility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the result of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Betty Montgomery
Auditor of State

May 16, 2005

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
NAME OF FACILITY: Summit

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED _FY 2004**

	State Appropriations and Grants				Offender Funds					GRAND TOTALS
	ODRC 501-501	Capital CAP 003	Oriana House Subsidy	PROGRAM TOTALS	Offender Per Diem	Offender Personal Funds	Telephone Commissions	Other/ Misc.	OFFENDER TOTALS	
Cash Receipts:										
Intergovernmental	\$5,172,832	\$139,254		\$5,312,086	\$124,757	\$171,648			\$296,405	\$5,312,086
Collections from offenders									296,405	296,405
Commissions							\$16,660	\$4,926	21,586	21,586
Subsidy			\$198,546	198,546						198,546
Total Cash Receipts	5,172,832	139,254	198,546	5,510,632	124,757	171,648	16,660	4,926	317,991	5,828,623
Cash Disbursements:										
Personnel	3,589,767			3,589,767					8,173	3,589,767
Operating costs	1,052,700			1,052,700						1,052,700
Program costs	319,192			319,192						319,192
Equipment	(1,396)			(1,396)						(1,396)
Capital project		139,254		139,254						139,254
Offender Expenses					82,230	168,055		2,065	7,931	252,350
Offender reimbursements										
Offender payments to CBCF					82,230	168,055		2,065	7,931	252,350
Total Cash Disbursements	4,960,263	139,254		5,099,517	82,230	168,055	8,173	9,996	268,454	5,367,971
Disbursements from prior FY (Including refund to ODRC) (\$41,274+\$8,009)	49,283		198,546	247,829						247,829
Other Sources (Uses)										
Interest				423						423
Advance in from Agency	865,000			865,000						865,000
Advance (out) to Agency	(865,000)			(865,000)						(865,000)
Total Receipts Over/(Under) Disbursements	163,709			163,709	42,527	3,593	8,487	(5,070)	49,537	213,246
Fund Cash Balances, July 1, 2003	766,368			766,368	72,689	6,549		8,371	87,609	853,977
Fund Cash Balances, June 30, 2004	\$930,077			\$930,077	\$115,216	\$10,142	\$8,487	\$3,301	\$137,146	\$1,067,223
Unpaid Obligations/Open Purchase Orders	\$880,939			\$880,939						

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
NAME OF FACILITY: Summit

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES

	For the Period Ended FY 2003 State Appropriations and Grants				For the Period 1/1/03 - 6/30/03 Offender Funds				GRAND TOTALS
	ODRC 501-501	Capital CAP 003	Oriana House Subsidy	PROGRAM TOTALS	Offender Per Diem	Offender Personal Funds	Other/ Misc.	OFFENDER TOTALS	
Cash Receipts:									
Intergovernmental	\$4,863,091	\$46,481		\$4,909,572	\$111,464	\$75,196	\$211,575	\$398,235	\$ 4,909,572
Collections from offenders									398,235
Subsidy			\$154,919	154,919					154,919
Total Cash Receipts	4,863,091	46,481	154,919	5,064,491	111,464	75,196	211,575	398,235	5,462,726
Cash Disbursements:									
Personnel	3,629,854		75,740	3,629,854					3,629,854
Operating costs	975,266		48,084	1,023,350					1,023,350
Program costs	282,850		31,095	313,945					313,945
Equipment	9,586			9,586					9,586
Capital project		46,481		46,481					46,481
Offender Expenses									
Offender reimbursements					39,033	77,964	203,204	320,201	320,201
Total Cash Disbursements	4,821,816	46,481	154,919	5,023,216	39,033	77,964	203,204	320,201	5,343,417
Disbursements from prior FY (including refund to ODRC)	78,606			78,606					78,606
Other Sources (Uses)									
Interest	344			344					344
Advance in from Agency	161,000			161,000					161,000
Advance (out) to Agency	(161,000)			(161,000)					(161,000)
Total Receipts Over/(Under) Disbursements	(36,987)			(36,987)	72,431	(2,768)	8,371	78,034	41,047
Fund Cash Balances, January 1, 2003					258	9,317		9,575	9,575
Fund Cash Balances, July 1, 2002									803,355
Fund Cash Balances, June 30, 2003	\$766,368			\$ 766,368	\$72,689	\$6,549	\$8,371	\$ 87,609	\$ 853,977
Unpaid Obligations/Open Purchase Orders	\$766,017		\$198,546	\$964,563					

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
 COMMUNITY BASED CORRECTIONAL FACILITY
NAME OF FACILITY: Summit

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 FOR THE PERIOD ENDED __FY 2002**

	State Appropriations and Grants
Cash Receipts:	
Intergovernmental	ODRC 501-501 <u>\$5,072,162</u>
Total Cash Receipts	<u>5,072,162</u>
Cash Disbursements:	
Personnel	3,492,253
Operating costs	906,777
Program costs	306,856
Equipment	10,521
Total Cash Disbursements	<u>4,716,407</u>
Disbursements from prior FY (including refund to ODRC)	<u>80,229</u>
Other Sources (Uses) Interest	451
Total Receipts Over/(Under) Disbursements	<u>275,977</u>
Fund Cash Balances, July 1, 2001	<u>527,378</u>
Fund Cash Balances, June 30, 2002	<u><u>803,355</u></u>
Unpaid Obligations/Open Purchase Orders	<u><u>\$ 563,005</u></u>

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Summit Community Based Correctional Facility provides an alternative to prison incarceration for felony offenders. The Facility is the last step in the continuum of increasing punishment before prison incarceration. The Facility is a minimum security operation housing approximately 552 offenders in 2004, 562 offenders in 2003 and 508 offenders in 2002. The Judicial Corrections Board administers the Facility. The Board is comprised of common pleas court judges from the County of Summit that the Facility serves.

For the year ended June 30, 2002, the accompanying financial statement presents only the activity of the State appropriations received through the Ohio Department of Rehabilitation and Corrections (ODRC). For the year ended June 30, 2004, and 2003, the financial statement presents all funds related to the Facility. However, for the fiscal year ended June 30, 2003, the Offender Funds financial statement columns only present the activity from the 6 month period of January 1, to June 30, 2003.

The Judicial Corrections Board has contracted the Facility operation responsibilities to Oriana House Inc., a non profit organization. Oriana House Inc. is responsible for essentially all management decisions related to the Facility, subject to the Judicial Correction Board's oversight.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed by ODRC, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary expenditures include amounts disbursed through the following September 30 but chargeable against the preceding year's budget.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

At June 30, 2004, 2003, and 2002, the Facility's cash fund balances were \$1,067,223, \$853,997 and \$803,355, respectively.

At June 30, 2004, \$909,970 was held in a separate checking account in the Facility's name, \$50,005 was held in a mutual fund in Oriana House, Inc.'s name; \$800 was held in petty cash and \$106,448 was held in Oriana House's agency cash pool.

At June 30, 2003, \$186,383 was held in a separate checking account in the Facility's name, \$8,804 was held in a mutual fund in Oriana House, Inc.'s name; \$800 was held in petty cash and \$657,990 was held in Oriana House's agency cash pool.

At June 30, 2002, \$248,460 was held in a mutual fund in Oriana House, Inc.'s name; \$350 was held in petty cash and \$554,545 was held in Oriana House's agency cash pool.

The Facility credits interest earnings payable to The State of Ohio. Total interest earnings were \$422.90, \$344.89 and \$450.57 for fiscal years 2004, 2003 and 2002, respectively.

D. Fund Accounting

The Facility uses fund accounting to segregate amounts that are restricted as to use. The Facility has the following funds:

State Appropriations and Grants

Ohio Department of Rehabilitation and Corrections (ODRC) 501-501 Funding: ODRC grants this funding, appropriated from the State's General Fund, to the Facility to support general operating costs.

Capital CAP 003: Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building facilities.

Other Sources: Other Sources consist of fiscal support provided by the managing nonprofit agency in excess of the costs financed by the 501-501 Funding.

Offender Funds

Offender Per Diem: Reports receipts from a per diem fee charged to non-indigent offenders for room, board and medical treatment per Ohio Revised Code Section 2301.56 (C).

Telephone Commissions: Reports amounts received from telephone commissions generated by calls offenders place to locations outside the Facility. The Facility spends this money for programs and services benefiting the offenders.

Offender Personal Funds: Are amounts the Facility receives and holds in a custodial capacity for each offender while confined. The Facility holds personal funds, including salaries offenders earn while confined, and maintains separate balances for each offender. The Facility makes payments as directed by the offender or per program requirements. Upon release, the Facility pays remaining funds to the offender.

Other / Miscellaneous: Vending Machines

E. Budgetary Process

Appropriations

The Facility must budget its intended uses of ODRC 501-501 funding as part of its funding application to ODRC. After ODRC approves the budget, the Board formally adopts it. The Facility cannot spend or obligate (i.e., encumber) more than the appropriation. Facilities must obtain approval from ODRC to transfer amounts between budget categories.

Summit Community Based Correction Facility conforms to the purchasing guidelines approved by the Judicial Corrections Board.

A summary of 2004, 2003 and 2002 budgetary activity appears in Note 2.

F. Property, Plant and Equipment

The Facility records acquisitions of property, plant and equipment as capital project disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Facility uses.

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending 2004, 2003 and 2002 follows:

2004 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$5,172,832	\$5,103,019	\$69,813

2003 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$4,863,091	\$4,863,090	\$1

2002 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$5,072,167	\$4,795,013	\$277,154

3. COLLATERAL ON DEPOSITS AND INVESTMENTS

Grants and State Appropriations

The Facility has Federal Deposit Insurance Corporation (FDIC) coverage for \$100,000 of its demand deposit accounts. Excess deposits are uncollateralized.

Offender Funds

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$100,000 for Offender Funds.

4. REFUND TO ODRC

The agreement between County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the years ending June 30 2004, 2003 and 2002. This schedule also reconciles the Facilities Cash Fund Balances to the refund due. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered the prior June 30.

Refund to ODRC			
	2004	2003	2002
+ Cash, July 1	\$ 766,368	\$ 803,355	\$ 527,378
+ Fiscal Year Receipts	5,172,832	4,863,091	5,072,162
+ Interest Received	423	344	451
- Fiscal Year Disbursements	4,960,263	4,821,816	4,716,407
- Disbursements prior fiscal year	49,283	78,606	80,229
= Cash on Hand at June 30	930,077	766,368	803,355
- Cash Retained (1/12) Acct	431,069	405,258	422,681
- Petty Cash	350	350	350
Unpaid Obligations	<u>\$ 498,658</u>	<u>\$ 360,760</u>	<u>\$ 380,324</u>
Unpaid Obligations	\$ 142,756	\$ 41,274	\$ 78,606
Interest to be refunded ODRC - FY04	423		
Interest to be refunded ODRC - FY03	345	345	
Interest to be refunded ODRC - FY02	451	451	451
Interest to be refunded ODRC - As of 6/30/01		8,009	8,009
Due to be refunded to the ODRC - FY04	44,002		
Due to be refunded to the ODRC - FY03 (1)	17,423	17,423	
Due to be refunded to the ODRC - FY02 (1)	265,047	265,047	265,047
Due to be refunded to the ODRC - FY01 (1)	28,211	28,211	28,211
Total Unpaid Obligations	<u>\$ 498,658</u>	<u>\$ 360,760</u>	<u>\$ 380,324</u>

(1) Paid September 16, 2004 to the Treasurer, State of Ohio

5. RETIREMENT SYSTEM

The employees of the Community Based Correctional Facility are not members in the Ohio Public Employees Retirement System. All employees contribute to Social Security.

6. RISK MANAGEMENT

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

7. CONTINGENT LIABILITIES

The Community Based Correctional Facility is not currently a defendant in any lawsuits.

8. RELATED PARTY TRANSACTIONS

The Facility had a maintenance contract with Correctional Health Services for HVAC for the CBCF Building. Expenses were \$9,902 during 2002 and \$0 for 2003 and 2004.

The Facility paid Oriana Services rentals of \$24,569, \$26,749, and \$25,970 for fiscal years ended June 30, 2004, 2003 and 2002 respectively.

9. ADVANCES IN FROM/OUT TO AGENCY

From January 2003, funds were advanced from the managing nonprofit agency to the Facility checking account on an "as needed" basis, due to delays in receiving quarterly funding from the State or the County. These advances were used to cover payroll, benefits, various expenses and outstanding checks. The amount needed to fund the Facility checking account was determined by daily reconciliation and cash needs analysis on the Facility checking account. When the quarterly funding was received, the advances were repaid.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Summit County Community Based Correctional Facility
Summit County
209 S. Main St.
Akron, Ohio 44308

To the Judicial Corrections Board:

We have audited the financial statements of the Summit County Community Based Correctional Facility, Summit County, Ohio, (the Facility) as of and for the years ended June 30, 2004, 2003 and 2002, and have issued our report thereon dated May 16, 2005, in which we noted that offender fund receipts and disbursements statements were omitted for the six months ended December 31, 2002, and wherein we noted a restriction on our audit scope regarding fund cash balances. We also noted the Facility followed accounting practices prescribed by the Ohio Department of Rehabilitation and Corrections (ODRC) rather than accounting principles generally accepted in the United States of America. Except for fund cash balances, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Our audit for the year ended June 30, 2002 included only State appropriations the Ohio Department of Rehabilitation and Corrections paid to the Facility.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Facility's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-002 and 2004-003

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2004-002 and 2004-003 listed above to be material weaknesses. In a separate letter to the Facility's management dated May 16, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Facility's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the Facility's management dated May 16, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information of management, the Judicial Corrections Board, and the Ohio Department of Rehabilitation and Corrections. It is not intended for anyone other than this specified parties.



Betty Montgomery
Auditor of State

May 16, 2005

**SUMMIT COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance

Expenditures Not in Accordance with the Grant Agreement

Section IV (D)(2) (Expenditures of CBCF Funds) of the FY02 - 03 *Community Based Correctional Facility Grant Manual and Application* and Section II (D)(2) of the FY04 – 05 *Community Based Correctional Facility Grant Manual and Application* state in pertinent part: in order for any expenditure to be allowable, it must be approved in the original proposal or the most recently approved budget revision.

During our testing, we noted that the following transactions did not appear to be in accordance with the grant agreement.

Description:	Amount
• An electric bill for a building other than the Facility.	\$640.04
• The sponsorship of a SAFER Foundation meeting (not related to the Facility)	<u>191.27</u>
Total payments not in accordance with the authorized budget	\$831.31
• Rental payments made to managing nonprofit agency in 2004 in excess of authorized budget (\$24,569-\$18,500)	\$6,069.00
• Rental payments made to managing nonprofit agency in 2003 in excess of authorized budget (\$26,749-\$13,000)	13,749.00
• Rental payments made to managing nonprofit agency in 2002 in excess of authorized budget (\$25,970-\$7,983)	<u>17,987.00</u>
Total unauthorized rental expenses	\$37,805.00
• Undocumented personnel expenses as required by section IV.3.A.(1) of the Community Based Correctional Facility Grant Manual and Applications.	<u>\$58,104.00</u>
Total questioned expenditures	<u>\$96,740.31</u>

Section IV (D)(3)(a)(1) (Expenditures of CBCF Funds) of the *Community Based Correctional Facility Grant Manual and Application* states the grant agreement requires the Facility to document personnel expenses. The Facility had no documentation for the personnel expenses listed above.

Further, expenditures obligated prior to the end of the grant period must be paid within 90 days after the close of the grant period. **Section II (D)(1)(b) of the FY 04 – 05 *Community Based Correctional Facility Grant Manual and Application*** For FY 2003, \$13,876 of unpaid obligations were not paid within 90 days of the close of the grant period. Of this amount \$13,228 was paid after the 90 day period, and the remaining \$648 has not been paid.

The Facility should monitor its budget and should not obligate or disburse money exceeding the approved budget categories.

FINDING NUMBER 2004-002

Material Weakness

Offender Fund Activity for fiscal year 2003

The Ohio Department of Rehabilitation and Corrections requires Community Based Correctional Facilities to present financial statements for offender cash activities.

Due to the method in which Oriana House, Inc. accounted for offender fund transactions during fiscal year 2003, management was not able to produce financials statements for the "Offender Funds" for the period of July 1, 2002 through December 31, 2002. The "Offender Fund" financial statement columns presented for fiscal year 2003 are incomplete, representing only the transactions for the six month period from January 1, 2003 through June 30, 2003.

The Facility corrected this condition beginning January 1, 2003.

FINDING NUMBER 2004-003

Material Weakness

Financial Reporting and Compilation Practices

House Bill 510, which the Legislature passed on December 6, 2002 and which took effect on March 31, 2003, requires the Auditor of State (or contracting Independent Public Accountants (IPAs)) to audit Community Based Correctional Facilities. Pursuant to HB 510, the Auditor of State's Office will audit and issue cash-basis reports for each Facility on a biennial basis.

The Summit County Community Based Correctional Facility (the Facility) is an independent governmental entity, and should be able to readily produce and provide financial statements and other pertinent financial information to its Auditor's and/or other interested outside parties.

The Facility's financial accounting records are maintained by Oriana House, Inc. a private not-for-profit agency. During our testing of the Facility's annual financial report and its quarterly grant reports which were submitted to the Ohio Department of Rehabilitation and Corrections (ODRC), we noted the financial accounting practices used by Oriana House, Inc. to account for the Facility's transactions were not sufficient for management to produce readily available financial statements for the Facility on the cash basis of accounting ODRC has requested. The accounting system could not produce account summary totals which corresponded to their required financial statement categories requiring the client to manually enter data into an excel spreadsheet to produce its financial statements. During this manual entering process certain account transactions were adjusted or reclassified so that the data would correspond to the required financial statement categories. However, the documentation of these adjustments and reclassifications was insufficient and had to be recreated by management in order for the audit staff to trace the amounts to the general ledger. Further, the general ledger included accruals which had to be reversed in order to produce a report consistent with reporting requirements established by the ODRC. Due to the limitations of the system, it was difficult for management to reconcile accrual from cash basis transactions, and as a result numerous report versions were given during the audit in which expenses differed in both amounts and classifications. Because of the lack of detail for the adjustments, the general ledger could not be easily tied to the financial statements, and though immaterial, the amounts shown on the financial report can not easily be reconciled to the general ledger.

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The general ledger included accounts which were excluded from the financial statements as these were apparently not transactions of the Facility. Oriana House, Inc. had to compile the Facility's financial statements and its quarterly ODRC grant reports using a manually prepared "Excel" spreadsheet summarizing the Facility's general ledger activity for each month of the given fiscal year. Due to the method in which this information was entered into this spreadsheet and the limited source documentation maintained for adjustments and reclassifications, Oriana House Inc. could not readily support the information presented on the financial statements or that quarterly reports agreed to its detailed general ledger. Management had to create additional documentation at the request of the Auditors to show how the financial statements corresponded to the general ledger. Due to these transactions, lack of documentation, and unknown adjustments, Oriana house was not able to easily reconcile the general ledger to the financial report.

During fiscal year 2002 the Facility's cash was pooled with Oriana House, Inc. Beginning in January of 2003, Oriana House, Inc established a separate checking account for its Facility grant. Although this account was established, it was never reconciled to the grant cash balance reported to the ODRC. A reconciliation as of June 30, 2004 and 2003 was subsequently prepared at the request of the Auditors; however, since no reconciliation had previously been performed it was determined that certain sums of cash remained pooled with Oriana House, Inc. funds.

The accounting system utilized by the Facility should allow financial statements and quarterly reports to be produced directly from their general ledger on the statutorily required (cash) basis of accounting. If additional spreadsheets or documentation is necessary to compile the financial statements or quarterly reports, precise and detailed documentation of each general ledger account total, adjustments, and/or reclassifications entered into this spreadsheet must be maintained. Further, it must be maintained in such a format that it can be easily accessed and reviewed by any interested party upon request. In addition, the Facility should be reconciling on a monthly basis its Facility checking account and investment account(s) (if applicable) to the unexpended grant balance reported to the ODRC. These bank reconciliations along with monthly financial activity reports should be reviewed by management for accuracy and presented to the Judicial Corrections Board for their review as well. Additionally, all public monies belonging to the Facility that are currently pooled with private monies in the managing nonprofit agency's bank account should be transferred and placed in the Facility's bank account. The Facility should also consider seeking permission of the Ohio Department of Rehabilitation and Corrections to report on an accrual basis of accounting instead of the cash basis of accounting.



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SUMMIT COUNTY COMMUNITY BASED CORRECTIONAL FACILITY

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 9, 2005**